



ACQUISITION AND  
TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3000

March 26, 1998

DP (DAR)

In reply refer to  
DFARS Case: 97-D320  
D. L. 98-005

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES  
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,  
ASN(RD&A)/ABM  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PROCUREMENT)  
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS  
AGENCY

SUBJECT: Limitation on Allowability of Compensation for Certain  
Contractor Personnel

We have amended Part 231 of the Defense Federal Acquisition Regulation Supplement (DFARS) to remove certain limitations on individual compensation costs. Federal Acquisition Regulation 31.205-6(p), as revised on February 23, 1998, by Federal Acquisition Circular 97-04 (63 FR 9066), contains the sole statutory limitation on allowable senior executive compensation costs incurred after January 1, 1998, under new or previously existing contracts.

This final DFARS rule is effective immediately, and will be included in a future Defense Acquisition Circular.

Eleanor R. Spector  
Director, Defense Procurement

Attachment

cc: DSMC, Ft. Belvoir



**DFARS CASE 97-D320**  
**Limitation on Allowability of Compensation**  
**for Certain Contractor Personnel**

Deletions are indicated by ~~strikethrough~~.

**SUBPART 231.2-CONTRACTS WITH COMMERCIAL ORGANIZATIONS**

\* \* \* \* \*

**231.205-6 Compensation for personal services.**

~~(a)(2)(i)(A) Costs for individual compensation in excess of \$250,000 per year are unallowable under DoD contracts that are awarded after April 15, 1995, and are funded by fiscal year 1995 appropriations (Section 8117 of Pub. L. 103-335).~~

~~(B) Costs for individual compensation in excess of \$200,000 per year are unallowable under DoD contracts that are awarded after July 1, 1996, and are funded by fiscal year 1996 appropriations (Section 8086 of Pub. L. 104-61).~~

~~(ii) Costs for individual compensation in excess of \$250,000 per year are unallowable under new DoD contracts funded by fiscal year 1997 appropriations (Section 8071 of Pub. L. 104-208). For purposes of this limitation, the term "compensation" means—~~

~~(A) The total amount of taxable wages paid to the employee for the year concerned; plus~~

~~(B) The total amount of elective deferred compensation earned by the employee in the year concerned.~~

\* \* \* \* \*

**SUBPART 231.3-CONTRACTS WITH EDUCATIONAL INSTITUTIONS**

**231.303 Requirements.**

\* \* \* \* \*

~~(3) The limitations on allowable individual compensation at 231.205-6(a)(2)(i) and (ii) also apply to this subpart.~~

(4[3]) Under 10 U.S.C. 2249, the costs cited in 231.205-22(a) are unallowable.

**SUBPART 231.6-CONTRACTS WITH STATE, LOCAL, AND FEDERALLY  
RECOGNIZED INDIAN TRIBAL GOVERNMENTS**

**231.603 Requirements.**

~~(1) The limitations on allowable individual compensation at~~

~~231.205-6(a)(2)(i) and (ii) also apply to this subpart.~~

~~(2)~~ Under 10 U.S.C. 2249, the costs cited in 231.205-22(a) are unallowable.

#### **SUBPART 231.7-CONTRACTS WITH NONPROFIT ORGANIZATIONS**

##### **231.703 Requirements.**

~~(1) The limitations on allowable individual compensation at 231.205-6(a)(2)(i) and (ii) also apply to this subpart.~~

~~(2)~~ Under 10 U.S.C. 2249, the costs cited in 231.205-22(a) are unallowable.